

Message Text

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ACTION DLOS-09

INFO OCT-01 IO-13 ISO-00 EUR-12 ACDA-12 AGRE-00 AID-05

CEA-01 CEQ-01 CG-00 CIAE-00 COME-00 DODE-00

DOE-00 EB-08 EPA-01 SOE-02 DOE-15 FMC-01 TRSE-00

H-01 INR-10 INT-05 JUSE-00 L-03 NSAE-00 NSF-01

OES-07 OMB-01 PA-01 PM-05 SP-02 SS-15 NSCE-00

SSO-00 ICAE-00 INRE-00 /132 W

-----040620 080919Z /21

O 080850Z MAY 78

FM USMISSION GENEVA

TO SECSTATE WASHDC IMMEDIATE 9298

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E.O. 11651:N/A

TAGS: PLOS, EMIN

SUBJECT: DETAILS OF US/CANADIAN PROVISIONAL AGREEMENT ON
PRODUCTION CEILING

REF: GENEVA 6881

1. TEN "TECHNICAL" POINTS WERE AGREED AT THE EXPERT LEVEL
PRIOR TO NEGOTIATIONS ON PERCENTAGE SPLIT (REFTEL). THE
TEN POINTS ARE:

-- CALCULATIONS WILL BE UPDATED ANNUALLY, NOT EVERY
FIVE YEARS AS IN THE ICNT.

-- THE DATA BASE FOR EACH UPDATE WILL BE THE LATEST
FIFTEEN YEARS OF DATA AVAILABLE.

-- REGRESSION CALCULATIONS WILL BE BASED ON AN EXPON-
ENTIAL FUNCTION.

-- THE PRODUCTION LIMITATION WILL BE CALCULATED BY EX-
TENDING THE TREND LINE OF THE REGRESSION ANALYSIS TO THE
CURRENT YEAR (I.E. NO AVERAGING OF FIVE YEARS' DATA AS IN
THE ICNT).

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-- CONSUMPTION DATA WILL BE USED FOR ALL CALCULATIONS
(E.G. THE METALLGESELLSCHAFTX DATA USED IN THE ARCHER
GROUP CALCULATION OF THE ICNT AT THE FEBRUARY INTER-
SESSIONAL).

-- THE INTERIM PERIOD WILL BEGIN FIVE YEARS PRIOR TO
THE FIRST PLANNED COMMERCIAL PRODUCTION UNDER A CONTRACT
OR PLAN OF WORK (POW) APPROVED BY THE AUTHORITY, AND WILL

LAST TWENTY-FIVE YEARS. IF ACTUAL PRODUCTION OCCURS LATER THAN PLANNED, THE STARTING DATE WILL BE ADJUSTED ACCORDINGLY.

-- THE PRODUCTION CEILING APPLICABLE TO A GIVEN CONTRACT OR POW WILL BE CALCULATED ON THE BASIS OF DEMAND PROJECTED TO THE YEAR OF PLANNED COMMENCEMENT OF COMMERCIAL PRODUCTION FROM THE PROJECT.

-- ONCE A CONTRACT OR POW IS APPROVED, THE SEGMENT OF CUMULATIVE GROWTH SEGMENT ASSIGNED TO IT CANNOT BE REDUCED SIMPLY BECAUSE THE ACTUAL LIMITATION IN THE FUTURE TURNS OUT TO BE LESS THAN THE AMOUNT FORECAST WHEN THE CONTRACT OR POW WAS APPROVED.

-- THE PERCENTAGE SPLIT WILL APPLY TO THE SEGMENT OF CUMULATIVE GROWTH SEGMENT IN EXCESS OF THE LEVEL ATTAINED AT THE END OF THE BUILD-UP PERIOD.

2. THE FOREGOING TEN POINTS, WHEN COMBINED WITH THE FOLLOWING ASSUMPTIONS, AND AN ASSUMED 60/40 PERCENTAGE SPLIT, ALLOW AN ILLUSTRATIVE CALCULATION OF THE CANADIAN/US FORMULA THAT IS DIRECTLY COMPARABLE TO THE ARCHER GROUP ILLUSTRATION OF THE ICNT DONE IN NEW YORK. THE ASSUMPTIONS ARE:

-- THE DATA BASE IS THAT USED IN THE ARCHER ILLUSTRATION.

-- GROWTH IN NICKEL CONSUMPTION AFTER 1975 IS 4.5 PERCENT PER YEAR.

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-- THE FIRST APPLICATION FOR A CONTRACT IS IN 1980, AND IT CALLS FOR COMMERCIAL PRODUCTION TO BEGIN IN 1985.

-- COMMERCIAL PRODUCTION ACTUALLY BEGINS IN 1985.

-- EVERY PROJECT PRODUCES 37,800 TONS OF NICKEL/YEAR.

-- EVERY PROJECT PLANS COMMERCIAL PRODUCTION TO BEGIN FIVE YEARS AFTER THE CONTRACT OR POW IS APPROVED.

3. THE ILLUSTRATIVE CALCULATION HAS THE FOLLOWING RESULTS:

IN 1985:

TONS X 1000 OF NICKEL ALLOCABLE TO SEABED MINERS	196.1
MAXIMUM NUMBER OF PROJECTS ACTUALLY PRODUCING	5.2
MAXIMUM NUMBER OF CONTRACTS AND POWS APPROVED	8.1
PERCENTAGE OF CUMULATIVE GROWTH SEGMENT	
ALLOCABLE TO SEABED	92.5 PERCENT
PERCENTAGE OF TOTAL PROJECTED NICKEL MARKET	
ALLOCABLE TO SEABED	20 PERCENT

IN 1989:

TONS X 1000 OF NICKEL ALLOCABLE TO SEABED MINERS 279.9

MAXIMUM NUMBER OF PROJECTS ACTUALLY PRODUCING 7.4
MAXIMUM NUMBER OF CONTRACTS AND POWS APPROVED 11.8
PERCENTAGE OF CUMULATIVE GROWTH SEGMENT
ALLOCABLE TO SEABED 78 PERCENT
PERCENTAGE OF TOTAL PROJECTED NICKEL MARKET
ALLOCABLE TO SEABED 25 PERCENT

IN 1999:

TONS X 1000 OF NICKEL ALLOCABLE TO SEABED MINERS 718.2
MAXIMUM NUMBER OF PROJECTS ACTUALLY PRODUCING 19.0
MAXIMUM NUMBER OF CONTRACTS AND POWS APPROVED 26.2
PERCENTAGE OF CUMULATIVE GROWTH SEGMENT
ALLOCABLE TO SEABED 67 PERCENT
PERCENTAGE OF TOTAL PROJECTED NICKEL MARKET
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INFO OCT-01 IO-13 ISO-00 EUR-12 ACDA-12 AGRE-00 AID-05
CEA-01 CEQ-01 CG-00 CIAE-00 COME-00 DODE-00
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IN 2004:

TONS X 1000 OF NICKEL ALLOCABLE TO SEABED MINERS 988.9
MAXIMUM NUMBER OF PROJECTS ACTUALLY PRODUCING 26.2

MAXIMUM NUMBER OF CONTRACTS AND POWS APPROVED

- NO LIMIT

PERCENTAGE OF CUMULATIVE GROWTH SEGMENT

ALLOCABLE TO SEABED 65 PERCENT

PERCENTAGE OF TOTAL PROJECTED NICKEL MARKET

ALLOCABLE TO SEABED 4L PERCENT

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Message Attributes

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